

Message Text

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ACTION SS-25

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 2752

C O N F I D E N T I A L CARACAS 4101

EXDIS

E.O. 11652: GDS

TAGS: ENRG, VE

SUBJ: COMPTROLLER'S TAX CLAIMS AGAINST THE OIL COMPANIES

REF: CARACAS 3688

1. THE SUBJECT OF THE COMPTROLLER'S CLAIMS CAME UP DURING MY CONVERSATION WITH THE PRESIDENT THE EVENING OF APRIL 7. HE SAID THE CLAIMS REPRESENTED A SERIOUS AND UNFORESEEN PROBLEM IN THE GOV'S POST-NATIONALIZATION RELATIONS WITH THE COMPANIES--RELATIONS WHICH HE THOUGHT HAD BEEN GOING QUITE SMOOTHLY. HE DESCRIBED THE CLAIMS AS "ABSURD," WITH NO BASIS IN LOGIC OR LAW. THE PRESIDENT ALSO COMPLAINED THAT MUCI-ABRAHAM HAD PRESENTED HIM WITH A FAIT ACCOMPLI, COMING TO THE PALACE WITH A RETINUE OF LAWYERS OSTENSIBLY TO SEEK THE PRESIDENT'S VIEWS BUT ONLY AFTER ALREADY HAVING ISSUED THE REPAROS. PEREZ OBVIOUSLY TOOK THIS AS AN AFFRONT.

2. I ASKED HIM WHAT COULD BE DONE. HE SAID THE CLAIMS WOULD HAVE TO GO TO COURT BUT THAT HE THOUGHT NO VENEZUELAN TRIBUNAL WOULD UPHOLD THEM. HE WAS FUZZY IN RESPONSE TO MY QUESTION AS TO WHETHER THE COMPANIES WOULD HAVE TO MAKE DEPOSITS BEFORE LITIGATING THE ISSUE, NOTING ONLY THAT WE WOULD HAVE TO SEE HOW THE COMPTROLLER'S ADMINISTRATIVE REVIEW COMES OUT. HE SAID THAT HE PLANS TO CALL IN CREOLE'S ROBERT DOLPH SOON TO DISCUSS THE ISSUE.

3. I TOLD THE PRESIDENT THAT THIS APPEARED TO HAVE THE MAKINGS OF A VERY SERIOUS PROBLEM INDEED AND THAT, AS HE WAS AWARE,
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THE COMPANIES WERE DEEPLY CONCERNED. HE ACKNOWLEDGED THE

ACCURACY OF MY OBSERVATION AND AGAIN DESCRIBED THE COMPTROLLER'S
ACT AS "ABSURD."

4. DOLPH TOLD ME SUBSEQUENTLY THAT HIS LAWYERS NOW BELIEVE THE
COMPTROLLER HAS NO EFFECTIVE MEANS OF FORCING THE COMPANIES TO
MAKE DEPOSITS OR PAY THE TAXES HE PURPORTS ARE DUE. IT IS STILL
NOT CLEAR, HOWEVER, WHAT WOULD HAPPEN IF THE COMPANY SIMPLY
IGNORED THE TAX BILLS HE MIGHT PRESENT AFTER ADMINISTRATIVE REVIEW.
DOLPH ALSO RECONFIRMED THAT THE TAX EXPORT VALUES ESTABLISHED BY
THE RESOLUTION OF MARCH 8, 1971 WERE NOT REPEAT NOT APPLIED TO
THE TAXES PAID FOR THE PERIOD JANUARY 1 - MARCH 18, 1971. THUS,
THE COMPANIES COULD BE PRESENTED WITH ADDITIONAL TAX CLAIMS AT
SOME POINT BEFORE NEXT MARCH 31.
SHLAUDEMAN

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